

*S. Fogelman*

SUMMARY PLAN DESCRIPTION

FOR

GREMLIN INDUSTRIES, INC.  
8401 Aero Drive  
San Diego, California 92123

Federal Identification No. - 95-2761688  
Plan Identification No. - 001

EMPLOYEE STOCK BONUS PLAN AND TRUST

This Summary Plan Description covers amendments in your plan through November 1, 1977.

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OF  
GREMLIN INDUSTRIES, INC.  
EMPLOYEE STOCK BONUS PLAN AND TRUST

INTRODUCTION

This Summary Plan Description is intended to explain the highlights of your Employee Stock Bonus Plan. In the event of any inconsistency between this Summary and the formal Plan and Trust Agreement, the provisions of the formal Plan and Trust Agreement will govern and prevail.

ADMINISTRATION

1. Who is the Plan Administrator of my plan?

The Plan Administrator of your plan is the "Administrative Committee".

2. How is my plan administered?

Your plan is administered by the "Administrative Committee". The Administrative Committee has at least 2 members. Your employer selects the Committee members and they all serve without pay. Your employer has the right to remove any Committee member at any time. Under the law, Committee members have a duty to act in good faith and in your plan's best interest when they make decisions. Your Administrative Committee performs a wide range of activities including keeping records and reports, and establishing a funding policy. Also your Administrative Committee notifies any other interested persons of its actions and decisions when required.

3. Who is the Trustee of my plan?

The Trustee of your plan is SAN DIEGO TRUST & SAVINGS BANK. The Administrative Committee reports all actions taken by the Committee to the Trustee and the employer. The Trustee manages the assets of the plan from which all benefits will be paid.

4. If it ever becomes necessary to serve my plan with any legal papers (or summonses), upon whom do such papers get served?

The person responsible for receiving any legal papers or summonses for the plan is the Committee. Any and all legal papers should be delivered to them personally at 8401 Aero Drive, San Diego, California 92123.

The current members of the Administrative Committee are:

HARRY F. FOGLEMAN  
GERALD L. HANSEN  
W. RAY FOSTER

#### PARTICIPATION AND ELIGIBILITY

5. What does participation mean?

Participation means membership in the plan. A participant or member of a plan means any employee or former employee of your employer, who is or may be eligible to receive a benefit of any type from your plan, or whose wife, husband, children or other beneficiaries may be eligible to receive such benefit.

6. When do I become a participant in my plan?

All participants of the prior plan as of January 1, 1975 are participants in this plan as of March 12, 1976. Every other employee will become a participant on the July 31 coinciding with or following his employment.

7. May I become a member of the plan if I am paid on an hourly basis?

Yes. All employees of GREMLIN INDUSTRIES, INC. are eligible to become participants or members of the plan regardless of whether they are hourly-paid employees or salaried employees.

8. Once I've become a plan member, how much time must I put in to be eligible for a contribution to be made to my account?

To be eligible for a contribution, you must put in at least 1,000 hours of service during the plan year and be employed on the last day of the plan year. An hour of service will be credited for each hour that you are paid by the employer for services which you perform for the employer. If you are laid off for a temporary period (even if indefinite) or you're on an employer's approved leave of absence, on sick or disability leave, jury or military duty or not working due to a labor-management dispute, you will be given credit for a 40-hour week (or pro rata portion thereof). The terms of your plan say that any question that arises as to whether or not you should be given credit for hours of service in the above-mentioned situations must be resolved in your favor and you will be given the credit. (See Question 40 for plan year).

9. What if I worked less than 1,000 hours during the plan year that I first become a participant?

Your plan says that you will be given credit for a year of service for vesting purposes and will share in the employer's contribution even though you didn't work 1,000 hours during such plan year.

Example:

Ruth Smith began working for GREMLIN INDUSTRIES, INC. in May, 1977. Since she started working for the company late in the plan year, she was credited with only 350 hours of service for 1977. Even so, on July 31, 1977 Ruth Smith became a participant of the plan and shared in the employer's contribution for 1977.

10. If my employment terminates during the plan year, do I get any credit for the time I put in during that year?

If you've completed 1,000 hours of service during the plan year that your employment is terminated for any reason, including death or retirement, you will be given credit for a year of service. However, you will not share in the employer's contribution for that year.

11. What is a one-year break in service?

A break in service occurs when, during any plan year, you don't complete more than 500 hours of service.

12. What happens to my account if I have a one-year break in service?

If your employment hasn't been terminated because you resigned, were permanently laid off or discharged, you'll still be a plan participant and you'll share in any increase or decrease in the value of the trust fund. However, you won't share in the employer's contribution or forfeitures for that plan year nor will the vested percentage of your interest in your account increase. On the other hand, if you have a one-year break in service after resigning, being permanently laid off or discharged, any amount in your account that has not yet vested (see section on vesting, below) will be forfeited by you on the last day of the plan year that you have the break in service.

13. If I am rehired after a one-year break in service, what effect does the break in service have?

If you are rehired after a one-year break in service and you complete a year of service after you are rehired, you will become a participant as of the date you are rehired. Also, you will be given credit for all prior years of service for vesting purposes. But you can't recover any non-vested amounts which you forfeited when you incurred the one-year break in service.

14. Assume that I quit my job with my company, but I'm rehired before I have a one-year break in service. What happens to my account?

You will become a participant as of the date of your rehiring. You'll be credited with all past years of service for "vesting" purposes. Also, your account will be credited with the non-vested amount that was in your account before you left, unless you were paid the vested portion. If you were paid the vested portion and if you want to have the forfeited non-vested amount recredited, you must within 2 years after you're rehired, repay the vested amount paid to you when you left to the Trustee. If you do, all of your non-vested amounts will be restored to your account. If you don't, they will be forfeited at the end of the two-year repayment period.

15. Suppose I resign, am permanently laid off or I'm fired, what happens to the "vested" amount in my account?

If the vested amount in your account is \$1,750 or less, you must take such amount in a lump sum. If the amount is more than \$1,750, you can either take such amount in a lump sum or you can leave your vested amount in the plan which will be deposited by the Trustee in trust for you in a federally insured bank or savings and loan account. If you die before reaching age 65, the balance in your account will be paid in a lump sum to any beneficiary you have named, or your estate if you haven't named a beneficiary.

#### HOW IS OUR PLAN FINANCED

16. Who makes the contributions to my account?

Your employer makes the contributions to your account based on your pay. Nothing is taken out of your paycheck.

17. May I contribute my own money to my account?

No. All contributions are made by your employer. Your plan does not allow for employee contributions.

18. How much money gets put into my account each year and how is it figured out?

Your employer has reserved the right to make such contributions as the Board of Directors may decide to make, up to 15% of the pay of all participants.

After the contribution to the trust account has been made by your employer, the Administrative Committee will credit your ac-

count with your share of the total amount that your employer has contributed as follows:

Example:

Assume that your pay for the year is 1% of the total pay paid to all participants for the year, and that the contribution was \$10,000.00. Your account would be entitled to 1% of the \$10,000.00, or \$100.00.

19. How do I share in the growth of my plan?

On July 31 of each year and at such other times as the Trustee may so decide; the Trustee of your plan is required to make a determination of the value of the plan's trust fund and report such value to the Administrative Committee. Your share of this value depends on the percentage of the trust fund which was yours as of the preceding valuation date. For purposes of this valuation, neither the employer's contribution nor any amounts forfeited during the year for which the valuation occurs will be considered.

Example:

Assume that at the end of 1977, the total value of your plan's trust fund was \$100,000, and that your account was worth \$1,000 at this time. This means that your account is worth 1% of the value of the total fund. Now assume that at the end of 1978 the value of the plan is \$110,000. Your share is thus \$1,100 (1% of \$110,000). This amount represents the value of your account before the employer makes its contribution for the year and before forfeitures are added to the fund. Adding your share of contributions and forfeitures to the \$1,100 will give you the total value of your account at the end of 1978.

The example assumes the trust fund grew in value. However, sometimes investments don't work out as well. So it is possible that, in a given year, the trust fund may be worth less at the end of the year than it was at the beginning of the year. If this happens your account will also be worth less than it was the year before.

20. For purposes of employee stock ownership, what does pay mean?

Pay means all compensation you receive including hourly pay, salary, overtime and bonuses.

#### VESTING

In order to understand how your plan works, you must understand what vesting means and what it is. The purpose of any deferred ben-

efit plan is to provide income at retirement, disability or death. Therefore, unless you've put in some length of service for your employer, you won't be able to obtain all the benefits of your plan. And that's what vesting is all about. Once your benefits have vested it means that they are "non-forfeitable" (they can never be taken away from you). For each year of service you put in, more of your benefits become vested. Once you have completed 10 years of service, everything in your account belongs to you.

21. What does a "vested benefit" mean?

Simply stated a "vested benefit" means that you are entitled to the benefit without the requirement of continuing your employment. Although you might not receive payment of it until a later date, you are absolutely entitled to it at such time as it is payable.

22. How are my benefits vested?

The vested amount of your account is a percentage of the amount in your account. It is figured according to the number of years of service for which you are given credit. Your benefits will vest according to the following schedule:

<u>Years of Service</u>	<u>Percentage Amount Vested</u>
Less than 3 years	0%
3 years but less than 4 years	30%
4 years but less than 5 years	40%
5 years but less than 6 years	50%
6 years but less than 7 years	60%
7 years but less than 8 years	70%
8 years but less than 9 years	80%
9 years but less than 10 years	90%
10 years or more	100%

23. What years are counted for vested benefits?

Your plan credits you with a year of service for each plan year that you completed at least 1,000 hours of service. You will also be given credit for a full year during your initial eligibility period. However, your plan does not credit you with the following years:

(a) Service prior to a break in service is not included in vested service until a participant has completed a year of service after the break in service.

24. Is it possible for any of my vested benefits to be forfeited?

No. A vested benefit is a "non-forfeitable" benefit, which, no matter what, belongs to you.

25. What happens to forfeited benefits?

As was pointed out previously, if you leave for any reason other than retirement, death or total or permanent disability, any amount credited to your account which is not vested will be forfeited on the last day of the plan year in which you have a one-year break in service. Such forfeited amounts will be distributed among the accounts of all participants who are participants of the plan on that date.

26. What portion of each year's forfeitures will be credited to my account?

It all depends on your percentage of pay for that year. Forfeitures are added to your employer's contributions and allocated as in Question 18 above.

#### PAYMENT OF BENEFITS AND DISTRIBUTIONS

This plan pays benefits only in company stock, except that partial shares may be paid in cash. The stock you receive will be subject to certain transfer restrictions which can be found in Article XVI of the plan. Please review these restrictions.

27. What is my normal retirement date?

Your normal retirement date is the day you become 65 years old. Upon reaching your normal retirement date, all amounts credited to your account become 100% vested.

28. May I postpone my normal retirement date?

Yes. But you must get your employer's consent to do so.

29. Is there an early retirement date under my plan?

Yes. You may retire early provided you have at least 10 years of service.

30. What happens if I die before retirement or other termination of my employment?

If you die before retirement or other termination of your employment, all amounts credited to your account will vest and your participation in the plan will end. The plan Trustee will pay the total value of your account to the person or persons you have chosen as your beneficiary or beneficiaries. If you haven't chosen a beneficiary, the value of your account will be paid to your estate.

31. What happens if I am disabled before retirement?

If you are totally or permanently disabled your employment will be terminated. All amounts credited to your account at the time of disability will become vested and your participation in the plan will end. After satisfactory proof of your disability has been shown, you will receive the total value of your account in a lump sum or, if you choose, in installment payments.

32. What does total and permanent disability mean?

If you are unable to continue working at your particular job because of bodily injury, disease or mental disorder, then you are totally and permanently disabled. A doctor appointed by your plan's Administrative Committee will decide if you are totally and permanently disabled.

33. If I have worked more than 1,000 hours during the year that I die, retire, become disabled, quit or am fired, do I get credit for that year?

Yes. See Question 10 above. Remember, if your account is worth \$1,750 or less then you must take a lump-sum payment of such amount.

34. How do my benefits get paid to me?

Your plan benefit will be computed as soon as possible after the anniversary date on which your participation ends. Your plan benefit will normally be distributed within one year after your participation ends. Distribution may be made in one of the following alternative modes of distribution, as determined in the sole discretion of the Committee, exercised in a uniform and non-discriminatory manner:

(a) With your consent distribution of your plan benefit in a single distribution, or

(b) Distribution of your plan benefit in substantially equal annual, quarterly or monthly installments plus accrued net income (or loss). This may be based on a fixed number of years or a fixed percentage of your plan benefit. However, the period of installments may not exceed your life expectancy, or the joint life expectancy of you and your spouse, or

(c) Any combination of the foregoing to which you consent.

(d) The Committee shall have the right to direct that distribution to participants who terminate service for any reason other than retirement or death shall be deferred and distributed no later than their normal retirement date.

35. When do my benefits begin to be paid to me?

Unless you elect otherwise, payments must, by law, begin no later than the 60th day after the close of the plan year in which the latest of these events occurs:

- (a) The date on which you become age 65;
- (b) The 10th anniversary of the year in which you become a member of the plan;
- (c) The date you terminate your service with the employer.

As a matter of policy, however, your payments will begin as soon as possible after you become entitled to receive them or have a break in service.

36. How do I present a claim for my benefits?

You file your claim with your Committee on forms supplied by your Committee. Within 60 days after you file, its decision will be given to you. If your claim is denied, the reasons for such denial will be given to you, and you will be told what you can do to get the claim approved.

37. Is there a review procedure if my claim is denied?

Yes. If you are not satisfied with your Committee's decision, you may request a hearing on a form supplied by your Committee. Along with the form, you must give a written statement of your position. This must be done within 60 days from the time you receive notice of denial of your claim. You will then be given a full and fair hearing within the next 60 days. Then, within 60 days, your Committee will issue its decision in writing to you.

38. May I borrow money from my account?

No. Your plan does not provide for loans from your account.

39. May I withdraw part of my account while I am still working?

Yes, if it is necessary for you to meet an unusual expense or special situation in your personal financial affairs. These expenses and situations may be caused by, but are not limited to, accidents, illnesses, educational expenses, the cost of buying a home, etc. The amount you may withdraw is limited to part of the vested amount credited to your account.

40. When does the plan year begin and end?

The plan year for your plan is the same as the employer's taxable year. The year begins on August 1 and ends on July 31.

41. Can the employer ever recover back a contribution it has made to my plan?

No. Under the terms of your plan, all contributions made by the employer must be used for the benefit of plan participants and their beneficiaries. Under no circumstances can the employer or other persons use such funds for purposes other than the exclusive benefit of plan participants or beneficiaries.

42. I understand that some pension benefits are covered by Government insurance. Are the benefits of my plan insured?

No. There's no need to insure your account. Since your plan is a defined contribution plan, contributions are credited right into your own account. Moreover, if the plan terminates or the employer goes out of business, all of the benefits in your account become vested. Recognizing this, the Government exempts defined contribution plans from buying termination insurance.

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Your Summary Plan Description has been provided in compliance with the Employee Retirement Income Security Act of 1974. Upon written request to your Committee you may obtain a copy of your plan and all of your plan's rules and regulations.

Also you have the right to receive, upon your request, a copy of the detailed plan description that has been filed with the Department of Labor and a copy of the most recent Annual Financial Report which has been filed with the Department of Labor and the Internal Revenue Service.

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#### YOUR RIGHTS UNDER ERISA

As a participant in GREMLIN INDUSTRIES, INC. EMPLOYEE STOCK BONUS PLAN you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974. ERISA provides that all plan participants shall be entitled to:

- examine, without charge, at the plan administrator's office and at other locations (worksites and union halls), all plan documents, including insurance contracts, collective bargaining agreements and copies of all documents filed by the plan with the U. S. Department of Labor, such as annual reports and plan descriptions.
- obtain copies of all plan documents and other plan information upon written request to the plan administrator. The administrator may make a reasonable charge for the copies.

- receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary financial report.
- obtain, once a year, a statement of the total pension benefits accrued and the nonforfeitable (vested) pension benefits (if any) or the earliest date on which benefits will become nonforfeitable (vested). The plan may require a written request for this statement, but it must provide the statement free of charge.
- file suit in a federal court, if any materials requested are not received within 30 days of the participant's request, unless the materials were not sent because of matters beyond the control of the administrator. The court may require the plan administrator to pay up to \$100 for each day's delay until the materials are received.

In addition to creating rights for plan participants, ERISA imposes obligations upon the persons who are responsible for the operation of the employee benefit plan. These persons are referred to as "fiduciaries" in the law. Fiduciaries must act solely in the interest of the plan participants and they must exercise prudence in the performance of their plan duties. Fiduciaries who violate ERISA may be removed and required to make good any losses they have caused the plan.

Your employer may not fire you or discriminate against you to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

If you are improperly denied a pension benefit in full or in part, you have a right to file suit in a federal or a state court. If plan fiduciaries are misusing the plan's money, you have a right to file suit in a federal court or request assistance from the U.S. Department of Labor. If you are successful in your lawsuit, the court may, if it so decides, require the other party to pay your legal costs, including attorney's fees.

If you have any questions about this statement or your rights under ERISA, you should contact the plan administrator or the nearest Area Office of the U.S. Labor-Management Service Administration, Department of Labor.

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